

TX

Exempt

COFRS ACCOUNTING MODEL

Accounting for Capital Leases in the Plant Fund

For treatment of capital leases purchased in the current funds, please refer to COFRS Accounting Model YE5.

Used throughout the year to record capital lease activity.
This presentation must be achieved at fiscal year-end.

*Authoritative Source(s): The Higher Education Financial Advisory Committee (FAC)
GASB Statements No. 34 and 35
AICPA College Audit Guide
NACUBO Farm Manual*

When the lessee capitalizes a lease, an asset and liability equal to the present value of rental payments is recorded. The lessee records depreciation expense. The rental payments are recorded as capital lease interest and a decrease in capital lease payable noncurrent.

[illegible]**OPTION 1**[illegible]

OPTION 2 (DO WE NEED THIS AS EXEMPT?)

The following entries will be made if capital lease/interest payments are made from an operating fund and the reduction of the liability and interest expense are recorded in the plant fund in the institution's internal system. The entries (coded A) will have to be eliminated for financial statement presentation.

	Description	FUND/ AGENCY		APPROP CODE	PROGRAM CODE	ACCT TYPE	BSA/RSC/OBJ	Debit	Credit
1	HE Capital Lease Elimination Cash To record the lease payment and interest expense as an operating expense.	320/GXX 320/GXX	A	NAP N/A	11XX/19XX N/A	22 01	ABGM 1100	\$42,000	\$42,000
2	Capital Lease Interest Capital Lease Payable-NonCurrent Miscellaneous Revenue Exempt To record interest expense, the reduction in capital lease payable, & a fund addition.	320/GXX 320/GXX 320/GXX		NAP N/A NAP	1100/4300 N/A 11XX/19XX	22 02 31	6820 2820 8301	\$2,000 \$40,000	\$42,000
3	Miscellaneous Revenue Exempt HE Capital Lease Elimination To record the entry to eliminate the operating expense in option 2, entry 1 and miscellaneous revenue option 2, entry 2. To record the entry to eliminate the operating expense in option 2, entry 1 and miscellaneous revenue option 2, entry 2.	399/GXX 399/GXX		NAP NAP	11XX/19XX 11XX/19XX	31 22	8301 ABGM	\$42,000	\$42,000